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UNCLAS OTTAWA 003471

SIPDIS

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SUBJECT: NEWFOUNDLAND'S PREMIER ORDERS CANADIAN FLAGS
LOWERED ON PROVINCIAL BUILDINGS

REF: OTTAWA 2896

1. (SBU) SUMMARY: Premier Danny Williams of Newfoundland and Labrador took the unusual step of ordering the Canadian Flag removed from all provincial buildings on Thursday, December 23. Williams was reacting to another failure to negotiate a deal with the Federal government on offshore oil revenue and equalization transfer payments, and contends that PM Martin broke his word, leaving Newfoundland and Labrador yet again on the short end of the federal-provincial stick. While Newfoundland and Labrador thrive on a sense of historical alienation and the move may play well locally, it could also serve to generate ill will for his cause nationally. END SUMMARY

2. (SBU) Premier Danny Williams of Newfoundland and Labrador ordered that the Canadian Flag be removed from all provincial buildings on Thursday, December 23. Williams was reacting to another failure to negotiate a deal with the Federal government on offshore oil revenue and equalization transfer payments. The cities of St. John's and Corner Brook have joined the Premier by ordering that the Canadian flag be removed from municipal buildings, and Mount Pearl, a bedroom community of St. John's, raised a pre-confederation Newfoundland flag. To the best of post's knowledge this is the first time in the recent past that a province has lowered the Canadian flag in a protest against the Canadian government.

3. (SBU) Premier Williams and Premier John Hamm of Nova Scotia were invited to Winnipeg, Manitoba last week to negotiate an offshore petroleum revenue deal with Federal Finance Minister Ralph Goodale and Natural Resources Minister John Effort. Williams left the meetings on December 22 very unhappy with the government's proposal, stating &they have slapped us in the face at Christmas time. I can tell you we will not forget this, believe me.8 He immediately returned to Newfoundland and called a press conference where he announced the lowering of the Canadian flag. Williams has not been quoted on the issue since the press conference. (NOTE: Minister Effort is the only Federal cabinet minister from Newfoundland. He has supported the Prime Minister on this issue, while other Liberal backbench MPs from Newfoundland have not. END NOTE)

4. (SBU) PM Martin has responded strongly to the Premier's actions, calling it &disrespectful8 and stating that the flag should not be used as a tool for partisan politics. Opposition Leader Harper has previously noted his general support for Premiers Williams and Hamm in their fight with the Feds and states that the problem is an example of the Prime Minister's &chronic inability to make a decision.8 He has, however, been conspicuously silent since the flag lowering.

5. (SBU) William's argument is that PM Martin broke his word in a deal he made with the Premier to change the offshore oil revenue transfer payment formula, and says this is only the latest example of an ongoing pattern of Newfoundland and Labrador getting bad deals from the Federal Government. Other historical examples, Williams contends, include hydro-electric power, fishing rights, and mineral rights.

6. (SBU) Comment: Premier Williams may be taking this dramatic action to further solidify local public opinion, and by using the Canadian flag he gains a national stage for the offshore revenue issue as well. Newfoundland and Labrador possess a sense of historical alienation as a resource rich province that is stuck in have-not status and Political Science Professor Stephen Tomblin of Memorial University in St. John's predicts that Williams' local popularity will only grow as a result of this recent action. But bringing the flag into the debate also raises the risk of creating ill-will among potential supporters elsewhere, and could make it difficult for other provincial premiers or federal officials to support him in the future.

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